

By Hand

December 22, 2003

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 03-123

Dear Secretary Cottrell:

On December 19, 2003, Massachusetts Electric Company ("MECo" or the "Company") withdrew its request to maintain, for the remaining 14 months of the standard offer period, the currently approved Standard Offer Service Fuel Adjustment ("SOSFA") of \$0.1424 per kilowatt-hour. Instead, the Company proposes to implement on January 1, 2004 a Standard Offer Service Fuel Adjustment of \$0.01223 per kilowatt-hour and a Standard Offer Adjustment Factor of \$0.00479 per kilowatt-hour. The Department of Telecommunications and Energy ("Department") issued an order of notice on December 19, 2003, requesting comments on the Company's revised filing by December 22, 2003.

Although the Company argues that it determined the newly proposed SOSFA amount consistent with Department precedent in DTE 00-66, 00-67, 00-70 (2000), the Company's proposed Standard Offer Adjustment Factor has not been shown to produce rates that are in compliance with the statutory 15% discount requirement by the Restructuring Act. G L c. 164 § 1B (b). Based on MECo's December 1, 2003, filing for approval of rates to be effective January 1, 2004 in DTE 03-126, it appears the implementation of the proposed Standard Offer Adjustment Factor results in the R-2 and the G-2 classes receiving less than the mandated discount.¹ The Department should deny the Company's proposed Standard Offer

¹ See DTE 03-126, Exh. TMB-19. By adding the proposed Standard Offer Adjustment Factor to the "Average Rate at January 2004 Actual Rates" and recalculating the "% Savings," the R-2 class savings are reduced to 12.9% and the G-2 class is reduced to 14.5%. The Department has determined that the 15% adjustment should be achieved on a class basis. Letter to Electric Distribution Companies, December 17, 1999.

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Adjustment Factor until the Company provides documentation showing that no customer class will be charged rates that are contrary to the provisions of the Restructuring Act.

Sincerely,

Alexander Cochis
Assistant Attorney General

cc. Service list